

Industrial

(Continued From Page 21)

months, it had no other choice but to relocate elsewhere because of the low inventory, O’Healy said.

Some businesses have been able to find space though. Elevator repair and maintenance company Liftech Elevator Services, Inc., which is also located in Signal Hill, plans to triple in size, for instance, and was able to find a larger facility across the street from its location, he said.

O’Healy noted that vacancy at the Signal Hill Business Park on East 28th Street between Temple Avenue and Junipero Avenue is at the lowest it has been in five years and all ground-floor industrial space has been fully occupied for the past three years.

He also predicts that lease rates will continue to rise over the next six months while sales prices for industrial real estate will accelerate even faster since Small Business Association (SBA) loans are still attractive while interest rates remain low.

A factor that has exacerbated the record-low vacancy of industrial product in Los Angeles County, however, is the fact that cities have been downzoning industrial properties and replacing them with multi-family residential and retail to generate more sales tax revenue, Carrillo said. Now, not enough industrial product is being put back on the market to fill demand, he said.

In addition, Carrillo said it’s uncertain how California’s recently approved legislation to raise the minimum wage to \$15 an hour will play out in the market next year, adding that at least one industrial business in the area is

considering whether to “pack up and relocate” out of the state or sell the company because of the higher minimum wage.

Other uncertainties for next year are whether United States voters will elect a Republican or Democratic president and if the economy experiences another downturn, he said.

Still, Carrillo said there are many bright spots ahead for the Los Angeles region with major new developments underway or in the works, including the National Football League’s plans to build a new stadium in 2019 in Inglewood to host the Rams and a new Porsche Experience Center expected to open mid-2016 in Carson. Both projects will benefit the industrial real estate market, he said.

Douglas Park Developments

Douglas Park in Long Beach, meanwhile, continues to be the only major site with new industrial real estate development in the South Bay area. The mixed-use business park has already attracted private aerospace company Virgin Galactic, which occupies a 150,000-square-foot building for its satellite launch vehicle program, as well as numerous manufacturers and headquarters operations.

Larry Lukanish, senior vice president for Irvine-based Sares-Regis Group (SRG), which continues to develop, sell and lease land formerly owned by Boeing, said construction is underway for three buildings with a combined total of 485,000 square feet of space for new corporate headquarters facilities. Building sizes range from more than 110,000 square feet to nearly 220,000 square feet each.



Jeff Coburn, left, and Shaun McCullough, principals at Lee & Associates Commercial Real Estate Services, are pictured at the 5000 E. Spring St. office building, where occupancy has increased to the high 90 percent range. For more information, visit: www.lee-associates.com or call 562/354-2500. (Photograph by the Business Journal’s Larry Duncan)

The development, which will include industrial space for manufacturing/distribution facilities and offices, will be located at Pacific Pointe East at the southeast corner of Lakewood Boulevard and Conant Street, across from Mercedes-Benz USA’s West Coast vehicle preparation center. Lukanish said the project, which is being built on speculation, is to be completed by the end of the year.

Future plans include a 77,000-square-foot building for corporate headquarters at Pacific Pointe Northwest, adjacent to Carson Street.

“There’s great demand for quality new construction of industrial space in the South Bay, including at Douglas Park in Long Beach,” he said. “When we deliver new buildings to the market, they’re very well received by tenants wanting to relocate from older stock product. They’re trying to expand and they can’t find space under one roof so these size buildings bode well for the tenants that we think are in the South Bay.”

Lukanish said SRG is also interested in Boeing’s former C-17 manufacturing plant that shuttered last year, however it’s still uncertain when the land will be available for possible development. ■

CBRE, Inc., said vacancy is higher in downtown than in the suburban market since major Class B office buildings, including 211 Ocean Blvd., 100 W. Broadway and Catalina Landing, have come under new ownership and are being converted through renovations to new “creative office space.”

Catering to today’s office user, the renovations include features such as roll-up doors, operable windows, balconies and other amenities, he said. Once the improvements are completed by mid-summer, vacancy rates in downtown will likely fall as new tenants occupy space, Smith said.

“We would expect that, as those renovations get completed, those spaces will lease and [vacancy] numbers will come down,” he said. “It’s really going to be cutting-edge creative spaces that are what today’s tenants are seeking . . . That transformation is exciting.”

As a result, lease rates for Class B office space downtown are expected to rise slightly by nearly 15 cents this year to \$2.30 per square foot and in some cases are already fetching higher rents than traditional Class A office space, Smith said, adding that current office users, ranging from technology firms to advertising agencies, see the changes as a way to boost employee retention and attraction.

Another building being converted to creative office space downtown is the Edison Theatre building at 213 E Broadway, previously owned by the city’s former redevelopment agency. An affiliate of the buyer is advertising agency interTrend Communications, Inc., which occupies the Psychic Temple building across the street that was also converted into creative office space.

The most significant lease transaction in downtown in the first quarter this year was Regional Centers Holding Group taking up 12,938 square feet of office space at the One World Trade Center building, according to Cushman & Wakefield.

Leasing activity for office space also remains strong in Long Beach’s suburban submarket, according to statistics and commercial real estate brokers.

Jeff Coburn, commercial office broker and principal of Lee & Associates, noted that the City of Long Beach’s Workforce Development Bureau has taken up 22,511 square feet to relocate its Career Transition Center (CTC) to the office building at 4811 Airport Plaza Dr., which is now 100 percent leased. He said the new tenant expects to occupy the space by summer.

According to a city staff report from De-

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Long Beach Office Lease Rates To Rise Slightly As Demand Strengthens And Market Tightens

■ By **SEAN BELK**
Staff Writer

Lease rates for office space in Long Beach are expected to rise slightly this year as demand has strengthened and the market tightened with tenants expanding and vacancy decreasing at buildings throughout the city, according to commercial real estate brokers interviewed by the Business Journal.

The direct vacancy rate for office space in Downtown Long Beach for the first quarter this year held at 19.8 percent, while the vacancy rate in the suburban submarket, which includes buildings near the Long Beach Airport, hovered at 15.4 percent, according to a market report by Cushman & Wakefield.

David Smith, senior vice president for



Renderings by Irvine-based DRA Architects show the design of a new office condo complex to be called The Terminal planned by Urbana Development to be constructed along Lakewood Boulevard at Douglas Park in Long Beach. The project will consist of 20 individual office condominiums, many of which will come with creative office space features, including covered balconies, private patios, roll-up glass doors and operable windows. The complex will also have an amenity space with outside dining and meeting areas. (Rendering provided by DRA Architects)

cember 2015, the state required that the CTC, which is subleased for use by the State Employment Development Department (EDD) and other organizations as a one-stop shop resource for job seekers, be relocated from its current location at 3447 Atlantic Ave. to meet state seismic requirements.

Coburn said occupancy at the office building at 5000 E. Spring St. is in the high 90 percent range after tenant P2S Engineering expanded. In addition, he said the 450,000 square feet left by Boeing at three office buildings near the Long Beach Airport due to consolidations are now nearly all filled, adding that HealthCare Partners has taken up 30,000 square feet at 4900-4910 Airport Plaza Dr.

“We’ve had some new tenants expanding in buildings,” Coburn said. “The larger office complexes in the Long Beach Airport market are pretty tight.”

At nearby Douglas Park, Urbana Development, affiliated with J.R. van Dijs of Long Beach, is planning to build a new office condo development to be called The Terminal along Lakewood Boulevard. The project will consist of 20 individual office condominiums, many of which will come with creative office space features, including covered balconies, private patios, roll-up glass doors and operable windows. Coburn said many of the office condos have already been sold to a diverse mix of potential buyers.

Richard Lewis, a managing principal of Urbana Development, which has already constructed three buildings at Douglas Park, including two medical office buildings and a new headquarters for Metro Ports, said the office units will open up into an amenity space between the office condo buildings that will have outside meeting and dining areas, with ping pong tables and charging stations for cell phones, iPads and computers.

The office condos will range from 2,167 to 2,659 square feet in size, with opportunity to combine units in any number of configurations for larger spaces, according to the project’s website. Lewis said the project, which will provide ample parking for employees, is expected to break ground in September, with completion set for the second quarter of 2017.

“We’ve had great response so far on it partly because . . . the location is great off of the 405 Freeway,” he said. “Our project is really special in that we’re recognizing the trend of how people want to work these days. It’s a little bit how people live.”

At Daugherty Sky Harbor at 2801 E. Spring St. at the airport, owner of The Loft on Pine in downtown is opening a new event space to be called The Modern to go along with an event catering business Green Apple Event Company for weddings and special events, according to Jon

Sweeney, commercial real estate broker and owner of ADG Commercial.

Aside from a small 3,000-square-foot space undergoing tenant improvements, office space at the site is nearly 97 percent leased, he said, adding that the market for office space and commercial real estate in

general in the suburban market and throughout Long Beach continues to tighten. Sweeney said the downside to such a healthy market is that there isn’t a lot of space available.

“It’s tight and getting better,” Sweeney said. “In the office market, you’ve seen

[lease] rates have gone up, and, when you look back at where the last recession was and where [lease] rates are today, the suburban office market is indeed strong. Overall, in this area, we’ve got a strong market for commercial real estate, and there’s not a lot of available space.” ■

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